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Message Text

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42
ACTION NEA-10

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FM AMEMBASSY JIDDA
TO SECSTATE WASHDC PRIORITY 4392

C O N F I D E N T I A L JIDDA 2756

STADIS//////////////////////////////////////

E.O. 11652: GDS
TAGS: BENC, BEXP, BTRA, SA
SUBJECT: SAUDI OFFICIAL TO VISIT USA FOR MAJOR PROJECT

REF (A) JIDDA 2644, (B) JIDDA 1306, (C) STATE 075198

SUMMARY: HRH PRINCE MIT'AB, MINISTER OF PUBLIC WORKS AND HOUSING, TOLD EMBOFF THAT HE WAS PREPARED TO REDUCE PERFORMANCE GUARANTEE FROM TEN TO TWO PERCENT IN ORDER TO ATTRACT US ENGINEERING AND CONSTRUCTION TO BUILD FROM 15,000 TO 20,000 MULTI-FAMILY HOUSING UNITS (UP TO EIGHT STORIES) ON CRASH BASIS. MINISTER STATED THAT DEPUTY HOUSING MINISTER SHEIKH SAUD LINGAWI, WHO WILL CONDUCT BUSINESS FROM SAUDI EMBASSY O/A APRIL 22 HAS CARTE BLANCHE TO DEAL WITH US FIRMS. PRINCE MIT-AB EMPHASIZED INFORMATION WAS FOR USG ONLY AND MUST BE PROTECTED. EMBASSY RECOMMENDS RED CARPET TREATMENT FOR LINGAWI AND VIGOROUS RESPONSE TO SAG REQUEST FOR INTERESTED US FIRMS TO COME FORWARD. MAY OPEN DOOR TO HOUSING CONSTRUCTIONS ON ORDER 200,000 TO 3;0,000 UNITS OVER COMING YEARS. END SUMMARY.

1. EMBOFF HAD LONG DISCUSSION APRIL 12 WITH HRH PRINCE MIT'AB BIN ABD AL-AZIZ AS-SAUD, MINISTER OF PUBLIC WORKS AND HOUSING. AFTER BRIEF DISCUSSION OF EMBASSY DESIRE TO LINVOLVE US PRIVATE SECTOR TO FULLEST EXTENT POSSIBLE IN SAUDI PUBLIC SECTOR HOUSING PLANS AND PRESENTATION OF
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LIST OF INTERESTED US FIRMS (REFTEL C), PRINCE MIT'AB

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STATED HE WANTED TO PASS ON SOME VERY IMPORTANT NEWS. HE SAID HE HAD BEEN INSTRUCTED BY THE GOVERNMENT TO BUILD 30,000 HOUSING UNITS ON A MOST URGENT BASIS. PRINCE MIT'AB HIMSELF REALIZED THAT THIS WOULD BE VERY DIFFICULT AND WAS HOPING FOR 15,000 TO 20,000 UNITS.

2. THE IMPORTANCE OF THIS NEWS FOR THE AMERICANS, HE SAID, WAS THAT THE TRADITIONAL PERFORMANCE GUARANTEE WOULD BE REDUCED FROM TEN PERCENT TO TWO PERCENT FOR THIS OCCASSION. PRINCE REPEATED THAT THIS INFORMATION WAS FOR THE US GOVERNMENT ONLY AND HE ASKED THAT IT BE KEPT HIGHLY CONFIDENTIAL. HE EVEN REQUESTED THAT ONLY SECRETARY KISSINGER AND HIS NUMBER TWO MAN SHOULD KNOW ABOUT IT. EMBOFF DID RECEIVE PERMISSION TO APPROACH US FIRMS WITH BASIC INFORMATION CONCERNING PROJECT, BUT PRINCE AS EMPHATIC IN STATING THAT THERE MUST BE NO PUBLICITY ABOUT THE PROJECT.

3. PRINCE MIT'AB DID NOT HAVE MANY DETAILS ABOUT THE PROJECT BEYOND BASIC NUMBERS. HE DID SAY HE WANTS TO FIND THE MOST RAPID, MODERN METHOD OF CONSTRUCTION POSSIBLE. HE DESCRIBED A MODULAR TYPE CONSTRUCTION PROCESS. HE ALSO SAID, OWING TO EXTREMELY HIGH LAND PRICES, THAT UNITS SHOULD BE IN HIGH RISE BUILDINGS (AS HIGH AS EIGHT STORIES), RATHER THAN INDIVIDUAL OR TOWN HOUSE STYLE DEVELOPMENTS.

4. PRINCE STATED MATERIALS FOR HOUSING UNITS WOULD COME INTO KINGDOM THROUGH SPECIAL PORT FACILITIES. IN RESPONSE TO QUERY, PRINCE SEEMED TO HAVE IN MIND THAT HOUSING CONTRACTOR WOULD IN TURN CONTRACT OR SUBCONTRACT FOR CONSTRUCTION OF A JETTY OR PERHAPS BARGE PIER WHICH COULD BE USED FOR DIRECT UNLOADING BY WAY OF LIGHTERS OR ROLL ON/ROLL OFF SHIPS TO AVOID CONGESTED PORTS.

5. SHEIKH SAUD LINGAWI, DEPUTY MINISTER FOR HOUSING, IS SCHEDULED TO VISIT THE US O/A APRIL 22 AND WILL CONDUCT BUSINESS IN CONNECTION WITH THE PROJECT FROM SAUDI EMBASSY. PRINCE MIT'AB SAID LINGAWI HAS CARTE BLANCHE TO DEAL WITH INTERESTED US FIRMS AND IS PREPARED TO DISCUSS PROJECT IN CONFIDENTIAL

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DETAIL. PRINCE MIT'AB WAS ALSO CONCERNED THAT SHEIKH LINGAWI BE MET IN WASHINGTON BY RESPONSIBLE OFFICIAL CAPABLE OF STERRING LINGAWI TO THE RIGHT COMMERCIAL CIRCLES. EMBASSY RECOMMENDS STRONGLY THAT LINGAWI RECEIVE RED CARPET TREATMENT.

6. COMMENT: EMBASSY UNDERSTANDS THAT ABOVE PROJECT IS BOTH IMPOSING AND LACKS SPECIFICITY. PRINCE MIT'AB SEEMED

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TO BELIEVE THAT LINGAWI WOULD BE ABLE TO RETURN WITH
FIXED PRICE BIDS ON COST PER UNIT OF HOUSING. DESPITE
SOMEWHAT UNREALISTIC EXPECTATIONS, EMBASSY BELIEVES THAT
DEPARTMENT SHOULD ASSIST LINGAWI WHEREEVER POSSIBLE.
PROPOSED 15,000 HOUSING UNITS NOWWOULD MEAN A FOOT IN
THE DOOR FOR CONSTRUCTIONS OF THE LION'S SHARE OF THE 200,000
TO 300,000 UNITS WHICH THE GOVERNMENT HAS SAID IT INTENDS
TO BUILD OVER THE NEXT YEARS. FINALLY, VIGOROUS DEPARTMENT
SUPPORT WILL ASSIST EMBASSY IN MAINTAINING ENTREE TO SAG
OFFICES ON THE BUSINESS OF ECONOMIC DEVELOPMENT.
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